

From: Karl Randolph
To: Microsoft ATR
Date: 1/24/02 11:23pm
Subject: Not a good settlement

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Re: Microsoft settlement

Dear Attorney Hesse:

In the 1800s, railroads would charge high rates on lines where they had no competition, so that they could use the revenues to subsidize lines where they had competition. If that competition was smaller, particularly when that line was its main revenue producing asset, this tactic often was able to ruin that competition.

This was what the anti-trust laws were originally written to address.

Fast forward to the 1990s. Instead of physical tracks, we have software categories. There is the operating system category, word processing category, the spreadsheet category, several other categories and a new one in the 1990s, the web browser category.

The people at Microsoft pretty much ignored the web browser market other than to produce Internet Explorer and charge market rates for it. That is, until the head of Netscape, Mr. Andreessen, publicly admitted that the Netscape web browser was the same as a front end for a windowing operating system. He speculated that he could develop his web browser into an operating system.

Windows is an operating system. It is the software category that Microsoft considers its most valuable asset. It is the asset that Microsoft uses to leverage its other software assets to give them greater market share, and to charge higher prices. Microsoft also uses the availability of its other software products to help it sell Windows. It is that synergy that Microsoft uses to consolidate, maintain and expand its monopolies.

Microsoft reacted as a classic nineteenth century trust. Whereas Internet Explorer was only a minor revenue source for Microsoft, its competition from Netscape was Netscape's main revenue source. By giving Internet Explorer away from free, Microsoft was able to impoverish Netscape to prevent it from producing a competing operating system. This is just one example of Microsoft maintaining its monopolies.

This is the example that is the basis for the guilty verdict in the anti-trust suit.

What is the proper sentencing as befitting this illegality?

As per two paragraphs above, Microsoft uses a synergy between its operating system software and its applications software to consolidate, maintain and expand its monopolies. Therefore, it is logical that an effective way to prevent Microsoft from continuing its illegal actions is to break it up into two companies: the operating system company selling Windows with Internet Explorer, since it is finally integrated into Windows; and the applications software company. I still think that would be the best response.

The proposed settlement announced by the Justice Department does nothing to address the continuing actions by Microsoft to maintain its monopolies. As such, it is an affront to the American people.

The proposed settlement is bad for the American consumers. By maintaining its monopolies, Microsoft is denying American consumers the best software that could be made.

The proposed settlement is bad for business. There are whole regions in the software world that are virtual wastelands, with Microsoft software leaving no real competition. It is known in investment circles that it is very difficult to impossible to raise investment capital to develop products to compete with Microsoft software because Microsoft's predatory tactics will make it difficult to recover the development costs.

The proposed settlement is bad for the country. In a time that we are at war against terrorism, the quality of Microsoft's software, both its operating system software and its applications software, are a liability in this war. Because of the software bugs and design failings, it makes the American economy open to cyber attack and other mischief.

The proposed settlement is bad because it not only does not address Microsoft's efforts to maintain its monopolies, but it actually helps Microsoft increase its monopoly position.

In conclusion, the proposed settlement ought to be rejected to get an effective answer to Microsoft's illegal actions that resulted in the guilty verdict in the anti-trust trial.

Yours, Karl W. Randolph.

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